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## SOUTH AMERICAN TRADE.

THE article on "Reciprocity" in the *Quarterly Journal of Economics* for October contains the following statement: "After all, the volume of our trade with the South American countries is small, and is likely to remain small." This may seem strange after all we have read and heard about the South American market in the last two years; but it is, nevertheless, true. As the article attempts no explanation of the point, except to state that "the bulk of our agricultural exports goes to Europe," some further discussion on the subject may be useful.

South America is, commercially speaking, a battle-ground between the United States and Europe, with the latter holding the position of advantage. The Bureau of Republics places the total annual imports of South America at \$465,576,000.\* For the year ending June 30, 1891, the United States sent exports to South America valued at \$33,226,401. These figures indicate that the United States has about one-fourteenth of the South American trade.

The following statement † shows the general condition of our trade relations with South America, giving the volume of imports and exports in millions of dollars:—

Year.	Imports from S.A.	Exports to S.A.
1880	82	22
1884	75	30
1888	84	28
1890	90	37
1891	118	33

From this we see that we buy of the South Americans about three times as much as we sell to them.

The distribution by countries of our exports to South America for the fiscal year 1891 is represented by these figures: ‡—

\* *Bulletin* No. 6 of the Bureau of American Republics, p. 3.

† *Commerce and Navigation of the United States*, 1891. Report on Foreign Commerce, p. xxxiv.

‡ *Commerce and Navigation*, 1891, p. 350.

Argentine Republic, . . . . .	\$2,718,075.00
Bolivia, . . . . .	6,380.00
Brazil, . . . . .	14,049,273.00
Chile, . . . . .	3,133,991.00
Colombia, . . . . .	3,108,989.00
Ecuador, . . . . .	902,738.00
Guiana, French, . . . . .	150,710.00
Guiana, British, . . . . .	1,761,350.00
Guiana, Dutch, . . . . .	249,704.00
Peru, . . . . .	1,396,207.00
Uruguay, . . . . .	1,032,937.00
Venezuela, . . . . .	4,716,047.00
Total, . . . . .	\$33,226,401.00

Selecting the largest items from our exports to the six South American countries buying the most of us, we get this table: \* —

ARTICLES.	THOUSANDS OF DOLLARS.					
	Arg. R.	Brazil.	Chile.	Col.	Peru.	Venez.
Agricultural machinery, . . .	200	70	184	2	16	4
Printed matter, . . . . .	19	225	17	86	51	16
Wheat flour, . . . . .		3,838	55	296	8	1,066
Railroad cars, . . . . .	492	593	339		5	5
Medicines, patent or proprietary	47	186	52	66	29	79
Cotton cloths, colored, . . .	3	299	9	134	28	345
Cotton cloths, uncolored, . .	83	232	418	104	78	199
Instruments, including electric,	16	268	17	34	14	49
Saws and tools, . . . . .	64	184	18	69	36	57
Sewing machines, . . . . .	24	78	17	120	36	76
Illuminating oil, . . . . .	353	1,047	162	85	37	128
Lard, . . . . .	39	1,304	52	85	117	452
Hog products, except lard, . .		806	3	24	3	97
Boards, deals, and planks, . .	428	683	248	61	129	56
Furniture, . . . . .	49	125	46	46	38	66

The countries of South America fall naturally into three industrial groups: the La Plata region, including the Argentine Republic, Uruguay and Paraguay; the tropical region, including Brazil, the Guianas, Venezuela, and Colombia; and the mountainous region, including Chile, Peru, Ecuador, and Bolivia.

The La Plata countries are devoted to agriculture and grazing. They are of great importance to the United States as a

\* *Commerce and Navigation*, 1891, Table 8. Unless otherwise stated, all figures for exports are taken from this table, pp. 282-351.

source of hides and the poorer grades of wool. Of the former, they send us one-third of our total import; of the latter, one-seventh. This includes only what they send us direct, and not what they send by way of England.\* The imports of the La Plata countries are nearly all from Europe. Great Britain furnishes two-fifths of the whole amount of Argentine imports.† The imports from the United States rank fifth in amount, and are about one-fifteenth of the whole. Our trade is chiefly confined to a few articles, two-fifths of it being in lumber, of which we furnish seven-eighths of all that the country imports. We also furnish the bulk of the petroleum, lard, and agricultural machinery. In 1890 the Argentine Republic imported over a million dollars' worth of railway supplies from the United States; but, as the total import was over thirty-six millions, our proportion was very small. In the same year cottons and coal were entered for over five millions each, tobacco for two and one-half millions, furniture for a million, and beer in bottles for seven hundred thousand. Yet, with the exception of furniture, the share of the United States in this large trade was comparatively small. Of furniture we supplied nearly a third. In other articles, like woollens, leather goods, and miscellaneous manufactures of iron, our trade is insignificant.‡

Passing now to the second group,—the tropical countries,—we find much closer trade relations existing with the United States. Brazil has always been our largest purchaser in South America. The average of purchases per capita from the United States for all South America is 97 cents annually. The purchases of Venezuela for 1891 were \$2.08 per capita; of Dutch Guiana, \$3.60; of French Guiana, \$3; of British Guiana, \$6.02. Brazil, Venezuela, British Guiana, and Colombia, in the order named, are our best purchasers of wheat flour. During the fiscal year 1891 we sent 714,271 pounds of hams to Venezuela and 97,119 pounds to Colombia. But few

\* *Commerce and Navigation*, 1891, Table 3. Unless otherwise stated, all figures for imports are from this table, pp. 68-143.

† *Consular Reports*, No. 138, p. 404. This report is the chief authority for Argentine trade.

‡ *Ibid.*, pp. 406-426. For Uruguay, see *ibid.*, No. 132; Paraguay, No. 138, pp. 556-584.

were sent to other countries of South America. Instead of hams, British and Dutch Guiana took pickled pork, the former 2,615,948 pounds, the latter, 694,962. Venezuela is the largest purchaser of butter, Colombia and Brazil coming next. British Guiana stands almost alone as a purchaser of imitation butter, buying over a hundred thousand pounds in 1891.

Colombia imported annually a million and a half pounds of soap from the United States, and ranked third among the countries of the world, Great Britain coming first, and Hayti second. Colombia also stands at the head as an importer of spirits, the import of rye whiskey being 4,216 gallons. Still, the import of spirits from the United States is very small in proportion to the whole, our share in the import of whiskey being one twenty-sixth in 1890, according to the Colombian figures. Our export of manufactured tobacco, other than cigars and cigarettes, is also largest to Colombia, and was valued at \$49,745 in 1891. This was nearly all that Colombia received. Of the railroad materials imported, the United States supplied about three-fourths in 1890.\* One very significant feature of our exports to Colombia, and Venezuela as well, is the large number of small items. There are few blanks in the table, and the "Miscellaneous" and "All Other" columns are large. This indicates that the Colombian merchants not only buy of us the great staples, like lumber, flour, and petroleum, but also depend on jobbers in the United States to supply the numberless small articles which form a necessary part of a dealer's stock.

For Venezuela no figures are at hand which give the imports by countries. In 1890 the exports from the United Kingdom to Venezuela were valued at £828,978.† The exports from the United States for the year ending June 30, 1890, were valued at \$3,980,000. This indicates that the United States may obtain as large a share of the Venezuelan trade as Great Britain. The same is true of no other South American country except Dutch and French Guiana.

The imports of British Guiana from the United States consist largely of food products. The colony stands first in South

\* *Consular Reports*, No. 135, p. 528.

† *Statistical Abstract for United Kingdom*, 1891, p. 87.

America as a purchaser of corn-meal and preserved beef, pork, and mackerel. Bread and biscuit, wheat flour, butter, beans and peas, and canned fish are also large items. Fresh fruits, especially apples, appear for considerable sums. Ice is another peculiar feature of our exports to British Guiana, amounting to 9,572 tons in 1891. This was over one-fourth of our total export of ice. Another peculiarity is the item of live animals. 1,382 sheep were sent from the United States to British Guiana during the fiscal year 1891. As might be expected from the fact that the country is a British colony, our share in supplying textiles is very small. The same is true of manufactures of iron and steel. But exports of scientific and electrical apparatus are relatively large, amounting to \$36,136 in our last report.

French and Dutch Guiana, like their neighbor, import from the United States a large part of their food supply. Wheat flour, dried fish, lard, and pickled pork are the chief items.

The staple products of the second, or tropical, group of countries are coffee, cocoa, and sugar. The total import of coffee into the United States for the year ending June 30, 1891, was 519,528,432 pounds. Brazil furnished 327,403,880 pounds; Colombia, 14,549,168; and Venezuela, 60,217,980. The three countries sent nearly four-fifths of all that we imported. In sending us cocoa, Dutch Guiana takes the lead, and Brazil is a close second. The two countries furnish two-fifths of all that we import. Venezuela and Colombia send us small quantities of cocoa. Brazil furnishes about one-twentieth of our import of sugar, amounting to \$5,000,000. British and Dutch Guiana furnish small quantities of sugar. Brazil is the chief source of crude India rubber. Our total import of this commodity for the fiscal year 1891 was valued at \$17,856,280: the import from Brazil was valued at \$12,304,233. In 1889 the United Kingdom imported India rubber worth £2,617,369: of this Brazil furnished to the amount of £1,755,718.\* French Guiana is the one country of South America which gives the United States a balance of trade. Our exports to French Guiana for 1891 were valued at \$150,710; our imports from French Guiana, at \$46,520. The imports consist almost en-

\* *Parliamentary Documents*, 1890, lxxii, p. 322.

tirely of phosphates, and comprise about one-sixth of our total import of that commodity.

The mountainous countries of the Pacific coast sustain much closer trade relations with the United States than the La Plata countries, but not so close as the tropical countries. Unfortunately, there are at hand no intelligible statements of the foreign commerce of any of the States in the mountain group. The foreign commerce tables of England and the United States are almost the only sources of information.

Our exports to Chile have increased rapidly in recent years, probably as a result of the development of the country.\* The United States appears to have almost a monopoly of the trade in agricultural implements, lumber, petroleum, and spirits of turpentine, and to do the bulk of the business in provisions, cars, carriages, and manufactures of wood. We have a considerable share in supplying the market with medicines, coarse cotton and fibre textiles, leather and rubber goods, paper, glass, earthenware, tobacco, and certain manufactures of iron and steel. In the fiscal year 1891 Chile was our largest purchaser of cut nails, our export to her being valued at \$62,968. But the great bulk of Chilean imports comes from England. In 1889 the imports from the United Kingdom were nearly three million sterling: manufactures of cotton, iron, and steel made up about half of this amount.† Our imports from Chile consist chiefly of a single commodity,—nitrate of soda. Our total import from Chile for the year ending June 30, 1891, was \$3,261,734: of this, nitrate of soda made up \$2,807,935, nearly all the nitrate that we imported. The total British import of nitrate in 1889 was £1,102,583: of this, Chile furnished £1,066,047.§ Besides nitrate, Chile exports a little wheat and about a million dollars' worth of wool. One-fourth of the export of wool comes to the United States.

British exports to Peru in 1891 were £1,125,000.§ Exports from the United States to Peru for the year ending June 30, 1891, were \$1,396,207. As Peru is not an agricultural country, breadstuffs take the place of agricultural machinery in her

\* *Commerce and Navigation*, 1891, p. xxxvii.

† *Parliamentary Documents*, 1890, lxxii. p. 321.

‡ *Ibid.*, p. 70.

§ *Statistical Abstract for the United Kingdom*, 1891.

tables of imports. Of the former the United States furnishes the chief part, though Chile is a competitor. In our table of exports to Peru for 1891 lard and lumber are the only items of over a hundred thousand dollars each. Colored cottons appear for \$29,814, and uncolored for \$78,255; but these figures are comparatively small, for England's export of cottons to Peru in 1889 was a million dollars and a half. The largest item in our imports from Peru in 1891 was goat-skins, \$218,397.

The exports of the United States to Ecuador for the fiscal year 1891 were about two-thirds of those of the United Kingdom for the same year,\* an unusually large proportion. In the number and variety of the articles which she receives from the United States, Ecuador resembles the adjoining northern countries. As is the case with Peru and the countries on the Caribbean Sea, Ecuador relies on the United States almost entirely for breadstuffs and provisions. Considering the poverty and small population of the country, some of the items are surprisingly large: wheat flour appears in our last report for \$157,092; and lard, \$192,927. Passing to articles of which we furnish only a considerable share, we find Ecuador second among South American States as a purchaser of cordage, wire, and boots and shoes. In manufactures of iron, our share of the trade nearly equals that of England. Our share of the miscellaneous trade is also large. England's chief hold on the trade of Ecuador is in cottons. The British portion of the supply in 1889 was about seven hundred thousand dollars' worth: our portion for the year ending June 30, 1891, was less than one hundred thousand. The chief export of Ecuador is cocoa, amounting to about five million dollars' worth annually. Coffee, ivory, nuts, India rubber, and hides are exported in small quantities.†

Since Bolivia lost her seacoast and the nitrate beds in war with Chile, our commerce with that country has steadily declined,—certainly as it appears in the reports, and probably in fact as well. As Bolivia now has no seaport, all her foreign commerce goes through the ports of other countries; chiefly through Arica in Peru; and most of it is therefore

\* £275,262. *Statistical Abstract of the United Kingdom*, 1891.

† *Consular Reports*, No. 122, p. 502.



credited to other countries. In the British accounts it is all so credited. Therefore, no data are at hand to show the nature and extent of Bolivian commerce. It is said, however, by a semi-official authority, that Bolivia uses "a great quantity of American dry goods, drillings, hardware, machinery, and kerosene."\*

Two years ago it was confidently expected by many in the United States that South America was to be the great field for the application of reciprocity as provided for by the McKinley tariff act. The result has not fulfilled these expectations. In the case of Brazil our reciprocity plan has worked fairly well. Important changes in the customs duties of that country went into force April 1, 1891, applying only to imports from the United States. Certain articles were admitted free, and certain others under a duty reduced 25 per cent. Our exports to Brazil for the year ending June 30, 1891, showed a marked increase over those of the preceding year. In the sixteen most important articles admitted to Brazil under the reduced duty, the average per cent. of increase was 53. In the fifteen most important articles admitted free the increase was 61 per cent. The increase in the seventeen most important articles not affected by reciprocity was only 27.6 per cent. The Treasury Department has issued a statement † comparing our exports to Brazil during the fifteen months after reciprocity was in force with our exports for the preceding fifteen months. The following table gives the figures for the most important articles: —

How admitted under reciprocity.	ARTICLES.	Fifteen months ending	
		March 31, 1891.	June 30, 1892.
Regular duty, . . .	Printed matter, ‡ . . .	\$273,898.00	\$352,972.00
" " " "	Petroleum, . . . . .	1,416,374.00	1,456,931.00
Duty reduced 25 %, .	Cotton cloth, . . . . .	820,387.00	767,746.00
" " " "	Bacon and hams, . . . .	947,687.00	746,661.00
" " " "	Lard, . . . . .	2,198,653.00	747,706.00
" " " "	Boards, planks, etc., . .	661,219.00	764,525.00
Free, . . . . .	Wheat flour, . . . . .	4,336,907.00	6,082,366.00
" " " "	Railroad cars, . . . . .	629,124.00	1,068,799.00
" " " "	Steam-engines, . . . . .	491,643.00	1,520,632.00

\* *Bulletin* No. 6, Bureau of American Republics, p. 53.

† *Summary Statement of Imports and Exports*, June, 1892, p. 31.

‡ Books for the arts and sciences are admitted free under reciprocity.

The total export to Brazil for the first period was \$16,279,969; for the second period, \$18,044,452. The presumable effect of reciprocity is shown most clearly in the enormous gain of the articles on the free list. Articles subject to the regular duties show little change. The surprising feature is the decline in three of the articles subject to the reduced duties. As a large part of the supply of these has always come from England, it may be that the English merchants cultivated the Brazilian trade so assiduously that they actually got more of it in certain lines than they had before.

On February 1, 1892, President Harrison proclaimed that reciprocity had been secured from the British West Indies and British Guiana.\* The free list includes 58 sections; the list subject to a 50 per cent. reduction of the duty includes 8; the list subject to a 25 per cent. reduction includes 8. But a little inspection shows that the concessions granted are of very little importance. With scarcely an exception, the 74 articles or classes of articles are those of which we already furnish nearly the whole supply or else those of which we do not furnish any considerable amount, and cannot do so in the face of English competition. Articles in which we evenly divide the trade with the British merchants are absent, as, for example, such articles as preserved fish, soap, butter, cordage and twine, furniture and manufactures of wood. In addition there is good reason to believe that many of the articles in the long free list are like hides in our own reciprocity scheme, articles which have been on the free list for years.† Therefore, notwithstanding the long schedules, reciprocity with British Guiana means but little.

Colombia and Venezuela, after repeated solicitations from our State Department, failed to make satisfactory reductions in their duties on our exports. On March 16, 1892, President Harrison issued a proclamation imposing the duties prescribed by law on their exports to us. Coffee is the chief article affected. The seventy-five million pounds which formerly came to the United States every year now go to Europe; and instead a corresponding amount of Java, which is a mild

\* Pamphlet issued by the Department of State.

† Pamphlet of the State Department on the Commercial Arrangements with Great Britain, p. 13. Also see the *South American Manual*, 1890, pp. 296-299.

coffee like that of Northern South America, comes to the United States.

None of the La Plata States made any move towards granting us reciprocity, though the great export of hides to the United States, valued at \$6,000,000 annually, brought them well within reach of our reciprocity law. But President Harrison declined to impose the discriminating duties, alleging the reason that those countries were in financial distress and could not afford to reduce their customs duties.\* Probably the real reason was that a duty of 3 cents per pound on the hides from Uruguay and the Argentine Republic would seriously inconvenience our leather manufacturers, and perhaps raise the price of hides in this country.

No reciprocity has been secured from the countries on the Pacific coast, and no discriminating duties have been laid on their exports to us. Peru is the only one of the group upon which our reciprocity law could have any considerable influence, as she sends us \$240,000 worth of hides and goat-skins. Had cocoa been included with coffee in the reciprocity section, the threat of discriminating duties might have had some terrors for Ecuador. Chile could be little affected by discriminating duties of any kind, having a monopoly of her chief export, nitrate of soda; and any attempt on our part to discriminate against that would merely add to the cost of the article in the United States.

One great hindrance to our South American trade in the past has been the poor transportation facilities. Mails and freight often had to be carried by way of England, causing loss of time and increase in expense.† The new steamship mail service will do much to remedy this difficulty, and an increase in our trade may be expected on that account. The difference between our trade with the countries on the Caribbean and that with the rest of South America is largely due to difference in facilities for transportation and communication. Another reason for the smallness of our proportion of the South American trade is the ignorance and indifference of our

\*For what purports to be a semi-official utterance on this subject, see an editorial article in the *Boston Advertiser* of April 2, 1891.

† *Consular Reports*, No. 136, p. 58; No. 138, pp. 423 and 435; No. 120, p. 2; No. 118, p. 478.

dealers regarding the market there.\* Our consuls frequently complain of this as the great obstacle to the sale of American goods. Manufacturers of other countries, especially England and Germany, expend infinite pains in producing goods exactly adapted to the South American market. They send out special agents to study the customs of the people, become familiar with their habits, and learn their peculiar whims and fancies. Our manufacturers appear to give themselves little trouble in this direction, and apparently assume that the goods which suit North Americans should suit South Americans as well.† To take the simple matter of packing,—most of the customs duties in South America are levied on the gross weight of the goods. European dealers take note of this, and pack in light but durable cases: American dealers, on the other hand, pack in the same heavy boxes that are used for the home trade. The result is that American goods are subject to heavier duties than European. After the goods have been landed they frequently have to be loaded on the backs of mules and carried inland. For this purpose European dealers put up their goods in small separate packages, so that, when taken out of the shipping cases, they are ready for the inland trip. American dealers neglect this, and therefore their goods must be repacked at the port of entry before going inland.‡ So of liquors. Certain brands of fermented and brewed beverages from the United States are in good demand in South America. But the bottles in which they are put up are so made that the importer pays duty on a large amount of glass for a small amount of liquor.§ The same account could be given regarding methods of advertising and selling goods, the time and manner of delivery, the custom of the country in the matter of credits, and so on indefinitely.

Now, what is the cause of this difference between American and European dealers? It is the fact that foreign trade is a matter of little importance to our manufactures, but is a matter of supreme importance to those of Europe. The latter are obliged to sell a large proportion of their product in foreign lands, but the former have abundant and ever-increasing fields

\* *Consular Reports*, No. 131, pp. 601, 659; No. 120, p. 2; No. 132, p. 123.

† *Ibid.*, No. 136, p. 57. ‡ *Ibid.*, No. 131, p. 601. Also special report on cottons.

§ *Ibid.* Special report on beers.

for their enterprise in our own home market. Consider the subject of cottons, for instance. The Eleventh Census gives the value of a year's output of cotton manufactures in this country as \$267,981,724. Of this immense product, nearly the whole amount was consumed at home. The total exports of cotton manufactures to all countries for the year ending June 30, 1891, amounted to only \$13,604,581. The export to South America was \$2,251,154. We need not wonder that a manufacturer is indifferent to the market at the other end of the continent, when there is a market a hundred times as great at his own door. Even granting that our trade in South America could be doubled or quadrupled by proper effort, the case would not be substantially altered.

The following incident, given by one of our consuls, tells the story of our foreign trade in manufactured goods. During a period of depression in the United States a good market for cottons was established at Buenos Ayres; but, when trade in the United States revived, the factory refused to fill orders in Buenos Ayres, and reserved its product exclusively for the home market. The Argentine dealers then went back to English cottons with a very poor opinion of American jobbers.\* This indicates that our merchants and manufacturers use the foreign and especially the South American trade merely as a safety-valve to relieve an overburdened home market.

Until the United States offers rarer opportunities for new or increased business than now, our manufacturers will spend little time in getting up special styles of goods for the markets of Buenos Ayres or Baranquilla. This means that for many years our exports to South America will be limited chiefly to the following: (1) natural products, like petroleum, which are not produced in South America; (2) bulky manufactures, like furniture, for which we have a better supply of raw material than the commercial nations of Europe; (3) certain lines of manufactures, like locomotives, electrical supplies, and agricultural machinery, in which Yankee inventiveness, aided by special circumstances, has enabled us to surpass other countries; and (4) food products for the northern and western regions of South America.

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\* *Consular Reports*, special report on cottons, p. 42.